

**NZF**

## **MARKET INFORMATION**

**30 May 2011**

### **NZF Group Limited (NZF) – Audited Annual Result 2011**

The Directors of NZF Group Limited today report an audited net operating loss of \$4.767 million for the year ended 31 March 2011, which compares with a net operating loss of \$4.596 million incurred in the previous financial year.

In what can only be described as another extremely difficult and challenging year for the Financial Services sector in New Zealand, NZF's results have continued to be adversely affected by:

- The far reaching impacts of the Global Financial Crisis;
- A depressed local property market and slow economic recovery in New Zealand;
- The expiry of the Crown Retail Deposit Guarantee Scheme (RDGS) on 12 October 2010; and
- Negative media surrounding a number of large high profile Finance Company failures.

Whilst total revenues earned by NZF's Financial Services Distribution Division fell by approximately 17% on the previous financial year, the most significant impact on NZF's results for the year were in its Property Finance and Consumer Finance Divisions. However, this result was moderated by NZF's Home Loans Division, which had another very successful year of operation and recorded a net operating profit before tax of \$2.511 million.

#### **Property Finance Division**

NZF's Property Finance Division incurred a net operating loss before tax of \$5.423 million for the year ended 31 March 2011, which is stated net of loan impairment allowance movements and bad debt costs of \$5.105 million. This compared to a net operating profit before tax of \$0.943 million achieved in the previous financial year.

As previously reported, the expiry of the RDGS on 12 October 2010 put unnatural pressures on cash flows nearing the expiry of the guarantee. This is highlighted by the

reduction in the Group's secured debenture stock funding from \$63.794 million as at 31 March 2010 to \$20.876 million as at 31 March 2011.

Due to the pressures placed on cash flows nearing the expiry of the RDGS, the Group's sole focus became that of increasing liquidity in order to fund approximately \$42.918 million of maturing secured debenture stock for those investors that relied solely on the RDGS. This included careful management of our Property Finance loan book where in some cases, mortgagee sales prices achieved were less than previously expected due to a slump in property sales.

Whilst market conditions remain difficult, we are pleased to report that reinvestment rates (currently in excess of 50%) and new investment rates for secured debenture stock funding have shown significant improvement following the expiry of the RDGS. The local property market is also showing signs of improvement, with a clear need for established providers of non-bank finance.

### **Consumer Finance Division**

NZF's Consumer Finance Division, which comprised NZF's 70% shareholding in Finance Direct Limited, incurred a net operating loss after tax of \$1.067 million for the year ended 31 March 2011, compared to a net operating profit after tax of \$0.117 million achieved in the previous financial year.

The net operating loss after tax incurred in the current financial year included a loss on the sale of NZF's 70% shareholding in Finance Direct Limited to the existing minority shareholder on 30 March 2011, following a decision being made by the Board that Consumer Finance was not considered core to NZF's operations going forward.

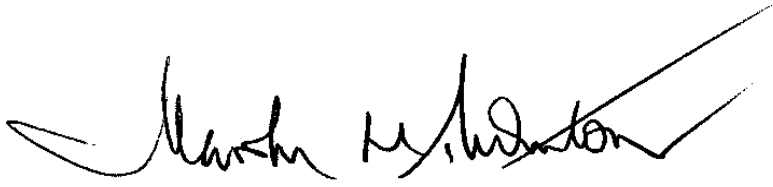
### **Home Loans Division**

NZF's Home Loans Division has had another very successful year of operation and recorded a net operating profit before tax of \$2.511 million.

During the year ended 31 March 2011, NZF's Home Loans portfolio decreased slightly from \$200.506 million to \$196.935 million and completed the launch of its first \$100 million Residential Mortgage Backed Securities (RMBS) issue, which was the first RMBS issue in New Zealand since late 2007.

The Directors have resolved that a dividend will not be declared for this reporting period as it is considered more prudent to retain cash in the current market conditions.

**ENDS**

A handwritten signature in black ink, appearing to read 'Mark Thornton', with a large, sweeping flourish extending upwards and to the right.

**Mark Thornton**  
**Chief Executive Officer**

See the NZX release for more details and for further information please contact:

Mark Thornton, Chief Executive Officer

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